



# Investigations Advisory

April 2007

*A Publication of the Investigations Branch of the State of California Department of Conservation, Division of Recycling  
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## Enforcement Case Update: Errol Segal & Active Recycling

In March 2006, Errol Segal and two corporations he controlled, Active Recycling Co., Inc. and World Wide Recycling Co., Inc., pleaded guilty in United States District Court to criminal charges based on falsified claims for payments from the Beverage Container Recycling Fund. (*U.S. v. Segal et al.*, U.S. Dist. Ct., Central Dist. Of Cal., Case No. CR04-0379.) In all, 11 defendants pleaded guilty in the case, including Tigran Petrosyan, Artur Melikyan, Nver Nazinyan, Matevos Arzumanyan, Arman Balabekyan, Armen Khachatryan, and Active Recycling Operations Manager, Memveluz Lampert.

In October 2006, Segal was sentenced to 41 months in federal prison and ordered to pay \$1,595,713.29 in restitution to the Department of Conservation (Department). He is currently serving his sentence at the Federal Bureau of Prisons' Correctional Institution at Taft, California. Active Recycling's sentence included 3 years probation, the same amount of restitution as Segal, and revocation of its recycling center and processing facility certifications.

On December 1, 2006, the Department settled 5 administrative actions with Segal and Active Recycling. Under the terms of the settlement, Segal and Active Recycling are required to stay out of the business of beverage container recycling and to pay restitution according to the court's order, which allows minimal payments over time without interest.

In March 2007, the federal court approved a single lump sum payment of \$1 million to the Department in full satisfaction of the restitution orders for Segal, Lampert, Active Recycling, and World Wide Recycling. The Department received the \$1 million cashier's check on March 7, 2007. This marks the closing of one of the Department's largest and longest lasting enforcement actions to date. The case is a testament to the dedication, perseverance, and tenacity of the Department's enforcement program.

Department of Conservation offers sincere thanks to all of the federal, state, and local law enforcement agencies and personnel that generously contributed their time, resources and expertise to bringing these defendants to justice.

## Santos Saenz Pleads Guilty

On March 2, 2007 Santos Saenz of Alameda Metals Recycling pleaded guilty to conspiracy to commit fraud and grand theft. Saenz is scheduled for sentencing in August, and faces:

- A total sentence of 3 years in jail.
- A restitution order for payment of \$250,000.
- Forfeiture of all assets seized by the Department.
- 5 years probation.
- Lifetime ban from the recycling program or anything relating to the program.



*Santos Saenz*



*Jose F. "Freddie" De Luna*

Freddie De Luna, who was also indicted on fraud charges in this case, has pleaded guilty and is scheduled for sentencing in April.

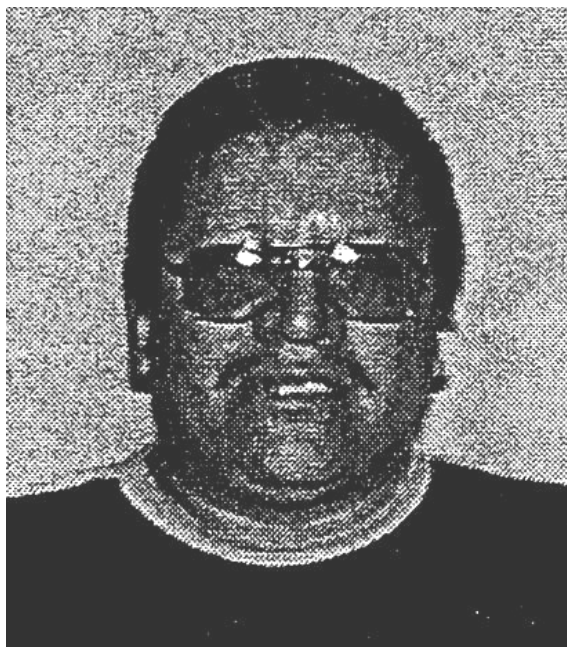
## Plastic Container Sale Prohibition

The Department has recently become aware that Laszlo Lencse, who was banned from the California Beverage Container Recycling Program by the Department, has been buying plastic containers from program processors. This is a violation of the ban from the recycling program issued to Lencse by the Department. Processors should not sell their plastic containers to any company with which Lencse is affiliated. The Department is now investigating sales of containers to Lencse and will be bringing the Department of Justice (DOJ) into the investigation.

## De Luna and Schwartz Still at Large

Jose Claro De Luna of Alameda Metals remains at-large. If you have any information on his whereabouts, the Department would greatly appreciate hearing it. All tips can be given anonymously via our fraud hotline (1-866-226-5623). His partner, Dana Robert Schwartz, remains at large and is reported to be in Bogota, Colombia. The Department is working with the federal government to return him to California.

They both have been charged with conspiracy to commit fraud and grand theft in the Alameda Metals Recycling case. If you have information on the whereabouts of Jose De Luna (pictured below), please call the Division Investigations Office at 1-866-226-5623.



*Jose Claro De Luna*



*Dana Robert Schwartz*

## Trinidad Rojas Arrested

On February 22, 2007 DOJ agents, from the DOJ/DOC team, arrested Trinidad Rojas of Los Angeles for redeeming used beverage containers from out-of-state for California Refund Value. Search warrants were served on two locations related to the activities. There was also an arrest warrant issued for Porfirio Barranco of Las Vegas, Nevada who is alleged to be involved in the redemption of UBC's from Nevada for Refund Value. Both are expected to be charged with conspiring to commit fraud against the CBCRF and grand theft. The Investigations Branch of the Division of Recycling is proceeding with the investigation of California redemption centers that were involved.

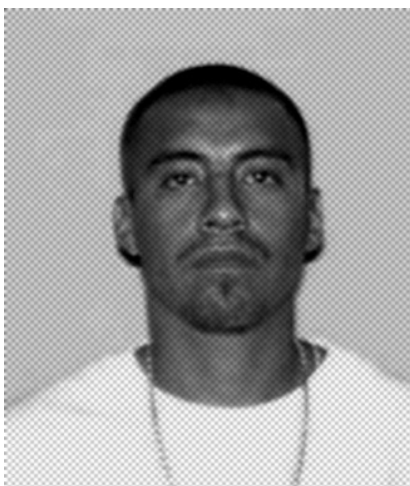


*Trinidad Rojas*

## Another Recycler Arrested

On January 12, 2007 Luis Mendoza Jr., the operator of Los Nachitos Recycling Center in Pacoima, was arrested by the Department of Justice (DOJ). Mr. Mendoza pleaded guilty to conspiracy to commit fraud against the Beverage Container Recycling Program and grand theft. Mendoza served three months in LA County jail, is on three years probation and is banned for life from the California Beverage Container Recycling Program. The Department of Conservation revoked the certification of Los Nachitos recycling center in November 2006 for importing containers from out of state for CRV.

Mendoza's father Enrique Mendoza is also charged with conspiracy to commit fraud against the Beverage Container Recycling Program and grand theft.



*Luis Mendoza Jr.*

## UPDATE

This Newsletter will now be published twice per year instead of quarterly. Since August 2006, the Division has revoked the certifications of 14 recycling centers and now has 42 sites under investigation or scheduled for court hearings.



## Reminder

### CANCELLATION REQUIREMENTS FOR ALUMINUM AND PLASTIC BEVERAGE CONTAINERS

A certified processor must take the actions necessary and approved by the Department to cancel containers to render them unfit for redemption (Public Resources Code (PRC) Section 14539(b)(7)). Cancellation means the act of removing the refund value of an empty beverage container by any of the methods cited in Title 14 of the California Code of Regulations (14CCR), Section 2000(a)(4).

One of the methods of cancellation for aluminum empty beverage containers is the delivery of the containers to a location of end use, after being densified to no less than 15 lbs. per cubic foot. **It has come to our attention that certified processors sell aluminum used-beverage containers to companies based in California that are end-users, without meeting the minimum densification requirement of fifteen pounds per cubic foot.** Please be advised that failure to meet this requirement may result in denial of your claims on loads that were not properly cancelled.

These requirements are stated in Title 14 of the California Code of Regulations (14CCR), Section 2000(a)(4), 2420(d)(1), (2), (3), as well as PRC, Section 14539.

**Plastic empty beverage containers** shall be deemed canceled when such containers are delivered to a location of end use and the delivery verified pursuant to 14CCR Section 2420(d)(2). For shipments of any material types out of the state or to a location of end use, the proof of cancellation shall include a receipt issued by the person receiving the shipment and any applicable bill of lading.

For shipments by sea, the proof of cancellation by export from the state must be the on-board bill of lading. **All processors must maintain copies of the on-board bill of lading in their files, pursuant to 14CCR. Section 2420(d)(1).**

Furthermore, all bills of lading must be clear, legible and valid as required by 14CCR, Section 2420(d)(1), (2) and (3). **The processor's responsibility does not end with the mere delivery of the material to the dock. It continues until such material permanently leaves the State of California.**

It is the responsibility of processors to provide assurance and verification that redeemed beverage container materials are canceled. **Failure to properly cancel redemption materials and/or prepare and maintain required documentation of cancellation will result in civil penalties or other disciplinary action.**